

**Testimony of Edward Martin
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**Hearing on
“Our Nation of Builders: Home Economics”**

**Before the
Subcommittee on Commerce, Manufacturing, and Trade
Of the House Committee on Energy and Commerce
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Introduction

I appreciate the opportunity to participate in today's hearing on the housing industry. My name is Ed Martin, and I am a homebuilder from Austin, Texas, and the President and Chief Executive Officer of Tilson Home Corporation. I also serve as the President of the Texas Association of Builders.

I have over 30 years of experience in the building industry, both as a practitioner and an industry representative. The building industry is made up of a vast system of general contractors and subcontracted businesses, and having experience as a skilled HVAC tradesman, an attorney representing the multi-family development industry, and the President of one of the largest custom home building production companies across the United States, I am intimately knowledgeable of the industry and its needs.

As an industry representative, I have been active in the National Association of Home Builders' leadership structure at the local, state, and national levels throughout my career. From my own personal experience as a builder and also as an industry representative, I am acutely aware of housing's role in sustaining the national economy.

Few industries have struggled more during the Great Recession than the home building industry. The decline in home construction has been historic and unprecedented. Single-family housing production peaked in early 2006 at an annual rate of 1.8 million homes, but construction fell to 353,000 per year in early 2009, an 80% decline in activity. A normal year driven by underlying demographics should see 1.4 million single-family homes produced. If home building were operating at a normal level, there would be millions of more jobs in home building and related trades.

The improvement in housing markets over the last year has been a welcome change for the economy. Improvements in home prices and building are widespread, with the NAHB/First American Improving Markets Index now standing at a count of 258 of 361 metropolitan statistical areas. NAHB is anticipating total housing starts of 970,000 this year and 1.18 million in 2014 as the market continues its gradual rebound.

Residential construction has finally turned the corner and is contributing to, rather than subtracting from, Gross Domestic Product growth and an improving labor market. Any efforts to ease escalating price pressures; help rebuild the supply chain; and support a continuing housing recovery is smart economic policy.

Worker Shortages in Residential Construction

This turnaround presents new labor challenges for the construction industry. At Tilson Home, we are experiencing comparable labor shortages across various labor categories. Framing, flooring, and roofing trades experience the most acute shortages in our business, although there is certainly a clear need for more workers in the HVAC, plumbing, and electrical industries.

The shortage of framers is especially acute because of the need for familiarity with various structural building codes, including in coastal areas that have a windstorm code. My company is experiencing delays due to the lack of qualified framing crews to begin work on the structure of our homes. Large volume builders are bidding against each other because of the shortage of qualified framers.

Our company is struggling to find master plumbers and rough-in crews, which run the pipes in the foundation before the concrete is poured. The workforce is aging (the average age of a master plumber is 56) and it is getting harder to find young plumbers to enter into the trade. Because of the inability of our contractors to hire qualified labor, we are experiencing significant delays.

Tilson Home supports EPA's Energy Star Program. As an Energy Star builder, we have to use an Energy Star-certified HVAC contractor. At this time, finding new, certified HVAC contractors is difficult because of the shortage of skilled workers trained in Energy Star.

As a result of the shortage of skilled labor, on average, it is taking my company a month longer to build a home.

Nationwide, surveys show that shortages of skilled labor are driving up costs and impeding a more robust housing recovery. The January and March 2013 NAHB/Wells Fargo Housing Market Index (HMI), which gauge sales conditions from builders across the country, indicate that labor shortages are quickly rising on home builders' list of most significant problems. 46 percent of the builders surveyed experienced delays in completing projects on time. 15 percent of respondents had to turn down some projects, and nine percent lost or cancelled sales as a result of recent labor shortages.¹

Foreign Labor in Construction

The home building industry, with the contribution of a substantial immigrant workforce, plays a critical role in sustaining the national economy and meeting the nation's housing needs. The inflow of foreign-born labor into construction is cyclical and coincides with overall housing activity. Their share was rising rapidly during the housing boom years when labor shortages were widespread and serious. However, even during the severe housing downturn and a period of high unemployment, the construction labor force continued to recruit new immigrants to replace, for example, native and foreign-born workers leaving the industry.

With Congressional attention shifting to immigration reform, I believe strongly that this debate provides an important opportunity for the country to implement a new market-based visa system that would allow more immigrants to legally enter the construction workforce each year.

American and immigrant workers working alongside each other in the construction industry is not a new development. Throughout our nation's history, the immigrant community has played a

¹ NAHB Economics, "Evidence of Growing Labor Shortages in Home Building", available at <http://eyeonhousing.wordpress.com/2013/03/26/evidence-of-growing-labor-shortages-in-home-building/>.

vibrant and important role in the industry, often bringing their trade-related expertise and skills to enhance the quality of our work. Immigrants who have come to America and joined our industry have been able to enhance their skills, create and grow their own businesses, and gain a foothold in the American middle class.

According to the 2011 American Community Survey, foreign-born workers account for 22% of the construction labor force. Particularly, immigrants are concentrated in some of the trades needed to build a home, such as carpenters, painters, drywall, brick masons, and construction laborers. These are trades that require less training and education,² but consistently register some of the highest labor shortages in NAHB surveys.

The distribution of immigrant construction workers is not even across the United States, with some states drawing more than a third of their construction workers from abroad. States that traditionally rely on foreign-born labor, but lost its significant share during the housing downturn – such as Arizona, California, Colorado, Florida, Nevada, and Texas – are most likely to experience difficulties in filling out construction job vacancies once home building takes off.³

Despite our efforts to recruit and train American workers,⁴ our industry faces a very real impediment to full recovery if work is delayed or even cancelled due to worker shortages. A new, workable visa program would complement our skills training efforts within the nation's borders, and fill the labor gaps needed to meet the nation's housing needs.

Conclusion

The housing industry is turning the corner, and contributing to an improving labor market. However, the current shortage of skilled labor is impeding the industry from reaching its full economic potential. I believe a long-term, holistic approach to comprehensive immigration reform can maximize the recovery in housing.

²The construction industry relies heavily on labor that requires less training and education. 21 percent of construction workers do not have a high school diploma and an additional third of the construction labor force did not study beyond high school. Immigrants who arrive to the United States to work in the construction industry are more likely to be drawn into lower-skill trades since roughly half of them do not have a high school diploma and additional 27 percent did not study beyond high school. By comparison, only 13 percent of native born workers in the construction industry did not graduate from high school and more than half of them went to college. As a result, immigrants represent more than half of the lowest skill construction labor force, while their overall share in the construction labor force is 22 percent. For more detailed information, please see NAHB Economics, "Immigrant Workers in the Construction Labor Force" available at <http://www.nahb.org/generic.aspx?sectionID=734&genericContentID=200529&channelID=311>.

³ To review a map detailing the regional differences, please *see id.*

⁴ NAHB works diligently to address the continuing need for skilled labor within the nation's borders. In partnership with NAHB and Job Corps, the Home Building Institute (HBI) is a national leader for career training and job placement in the building industry. HBI's Job Corps training programs are national in scope but implemented locally, using proven models that can be customized to meet the workforce needs of communities across the United States. It prepares students with the skills and experience they need for successful careers through pre-apprenticeship training, job placement services, mentoring, certification programs, textbooks and curricula. With an 80 percent job placement rate for graduates, HBI Job Corps programs provide services for disadvantaged youth in 73 centers across the country.

Given the significant role that foreign workers play in the housing industry, Congress should implement a market-based visa program that will allow more construction workers to enter the residential construction industry. A stable and efficient immigration system will provide the certainty needed to grow our economy and increase competitiveness.

Thank you again for the opportunity to testify today.